

SEAWATER INTRUSION CONTROL PROGRAM GUIDELINES

October 1997

Prepared by:

**State Water Resources Control Board
Division of Financial Assistance**

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www.waterboards.ca.gov/water_issues/programs/index.shtml#funding

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I. INTRODUCTION

The voters passes the Safe, Clean, Reliable Water Supply Act (Act) in November 1996. The Act provides \$10 million for low interest loans for seawater intrusion control (\$9.7 million for loans and \$0.3 million for administration). The Seawater Intrusion Control Loan Program (Program) provides loans for up to 20 years for cost effective projects with the loan repayments going into a revolving account for new loans.

II. DEFINITIONS

“Cost incurred” means cost which are due and payable, but not necessarily paid to the contractor.

“Division” means the Division of Financial Assistance.

“Eligible seawater intrusion control project” means a project, which is all of the following:

1. (A) Necessary to protect groundwater: (i) within a basin subject to a local groundwater management plan for which a review is completed pursuant to the California Environmental Quality Act (Division 13) (commencing with Section 21000) of the Public Resources Code) and (ii) is threatened by seawater intrusion in an area where restrictions on groundwater pumping, a physical solution, or both, are necessary to prevent the destruction of, or irreparable injury to, groundwater quality.
- (B) Is cost effective. In the case of a project to provide a substitute water supply, the project shall be cost-effective as compared to the development of other new sources of water and shall require inclusion of measures adequate to ensure the substitute supply will be used in lieu of previously established extractions or diversions of groundwater.
- (C) Complies with applicable water quality standards, policies, and plans.
2. Eligible projects may include, but are not limited to, water conservation, freshwater well injection, and substitution of groundwater pumping from local surface supplies.

“Environmental document” means either an initial study and Negative Declaration, or an Environmental Impact Report prepared in accordance with the California Environmental Quality Act.

“Local agency” or “applicant” means any city, county, district, joint powers authority, or other political subdivision of the state involved in water management.

“SWRCB” means the State Water Resources Control Board.

III. PROJECT AUTHORITY

Eligible projects will be funded on a first-come-first-served basis. The date of the Division's approval of a complete application will determine the order. Each applicant is limited to \$2.5 million.

IV. LOAN FUNDING PROCEDURES

An applicant must submit to the Division for approval two (2) copies of the Facilities Plan, final Plans and Specifications, and a completed Application. If all of the criteria in these Guidelines relating to these documents are complete, the Division will issue a letter indicating approval and establishing the eligible cost of the project. Once the applicant agrees in writing with the Division's eligibility decision, the Division will prepare an agenda item to present the project to the SWRCB for approval at the next available Board Meeting.

V. FACILITIES PLAN

The Facilities Plan shall contain all of the following:

A. Project Feasibility Report

A Project Feasibility Report shall be prepared and submitted as part of the loan application process. While early submittal is not a Program requirement, the Division strongly recommends a design not be initiated until the Facilities Plan is approved. The Division's Project Manager shall review facilities planning documents and submit a comment letter to the applicant within thirty (30) days of receipt of the documents. The Project Feasibility Report should contain the following:

1. A description of the existing or potential problem, which the proposed project will correct.
2. A cost-effectiveness evaluation of alternative solutions to correct the identified problem, including cost estimates and design criteria.
3. Cost information on total capital costs, and annual operation and maintenance costs, as well as the estimated annual or monthly costs to residential, commercial, and industrial users for each of the alternatives.
4. A map of the project's service area.

5. Demonstrate the applicant has legal, institutional, managerial, and financial capability to ensure adequate construction and operation and maintenance of the treatment works throughout the project's proposed service life.
6. A summary of public participation. A noticed public meeting must be held to obtain public input and to discuss financial and environmental factors related to the project.
7. Compatibility of local planning requirements and/or other agencies' requirements.

B. Selected Alternative

The following must be included in the Project Feasibility Report for the selected alternative:

1. A description of the selected alternative.
2. A statement of the relevant design criteria.
3. The estimated capital construction and annual operation and maintenance costs with a description of how the local costs will be financed.
4. A summary of the anticipated user charges for each residential, commercial, and industrial user.
5. A discussion of the water quality and other non-monetary benefits of building the project.
6. A discussion of any interagency service agreements necessary to construct, operate, and maintain the system.
7. An implementation schedule for completion of the project.

C. Environmental Documents

All applicants must meet the California Environmental Quality Act (CEQA). CEQA requires the applicant to prepare either an Initial Study and Negative Declaration or an Environmental Impact Report (EIR) before a state agency can approve financial assistance. If the grantee does not anticipate applying for any federal funds, a Notice of Exemption may be prepared, if appropriate.

The applicant must submit the draft environmental documents to the Governor's Office of Planning and Research (State Clearinghouse) for comments.

The SWRCB, as the responsible agency, will review and comment on the draft environmental documents.

Final environmental documents must be submitted and approved by the Division prior to Concept Approval. If the SWRCB finds the final environmental documentation to be adequate, a Notice of Determination will be prepared by the Division and filled with the State Clearinghouse.

VI. PLANS AND SPECIFICATIONS

The applicants shall submit to the Division two (2) sets of the final Plans and Specifications (P&S). The applicant may submit two (2) sets of P&S at about the 50 percent complete stage for the Division's critique and comments.

VII. APPLICATION

Submit the completed application to:

State Water Resources Control Board
Division of Financial Assistance
1001 I Street, 16th Floor
P.O. Box 944212
Sacramento, CA 94244-2120

ATTN: Mr. Christopher Stevens, Chief
State Revolving Fund and Special Programs Section

VIII. ELIGIBILITY

Design costs up to six percent of the estimated eligible project cost for design only loans, or the eligible low bid, are eligible.

Construction costs, as determined by the lowest acceptable bid, are eligible.

Construction engineering, and administration costs, up to nine percent of the eligible low bid are eligible.

Land, contract change orders, and claims, are not eligible.

Any construction costs incurred prior to the date of the loan contract are not eligible.

IX. LOAN CONTRACT AWARD

A loan contract will be prepared and offered to the applicant only after the SWRCB has approved the project; and the P&S; and the applicant has opened bids and determined the lowest, responsive and responsible bidder.

X. LOAN

A loan contract will be fully amortized no later than twenty (20) years after the date of the first disbursement. The loan interest rate will be one-half of the interest rate paid by the state on the most recent sale of state general obligation bonds, to be computed according to the true interest cost method. If the interest rate so determined is not a multiple of one-tenth of 1 percent, the interest rate shall be set at the next higher multiple of one-tenth of 1 percent.

Once the loan contract is issued, the contract amount will not be further increased.

The loan contract will contain a provision requiring the sale of future local debt to be on parity with, or subordinate to, the Program debt.

XI. LOAN DISBURSEMENTS

Costs may be submitted for payment on a monthly basis. Costs submitted to the Division for payment must be due and payable to the project contractors. It will not, however, be necessary for the recipients to have actually paid the costs before requesting payment under the loan contract.

A. Loan Disbursement Requests

The recipient will receive a copy of the SWRCB Disbursement Request Form No. 260 (see Appendix C) upon execution of the loan contract. The recipient will be responsible for completing columns "C" (Costs Incurred to Date) and "E" (Costs Claimed for Payment to Date). The recipient is also responsible for the certification of expenditures by the authorized representative.

A copy of each processed payment request will be sent to the recipient to show the amount disbursed by the Division.

B. Construction Progress Payment Requests

The recipient will receive a copy of the SWRCB Construction Contractor Spreadsheet Form No. 259 after the loan contract has been issued, executed by the applicant, and returned to the Division.

When requesting disbursement for construction, the recipient must include a copy of the Construction Contractor's Pay Estimate along with completed Form No.'s 259 and 260. The Contractor's Pay Estimate must be itemized by bid item or show a relationship between the Contractor's Pay Estimate and the bid items. The estimate must be signed by the contractor and the authorized representative. The loan disbursement will be based on the amount of money currently due and payable to the contractor for eligible bid items, minus any amounts previously paid by the Division. The recipient should assure adequate local funding is available to pay the contractor in case the loan disbursement is not processed before payment to the contractor is due.

C. Division Assistance

If you need assistance, or have any questions regarding submittal of a request for a loan disbursement, please contact the Manager of the Payments Unit at (916) 327-6976.

XII. CONSTRUCTION

A. Preconstruction Meeting

The Division will conduct a preconstruction meeting with the recipient and their project construction manager to discuss construction related program requirements. This meeting is usually scheduled on the same date as the recipient's preconstruction conference with the construction contractor. The recipient should notify the Division as soon as possible when the preconstruction conference is scheduled.

B. Construction Inspections

1. Interim Inspections

The Division may conduct interim inspections during construction. The primary purpose of any inspection is to determine if the recipient is constructing the approved project according to applicable contract requirements. The first inspection will normally be held at the ten (10) percent completion point with subsequent inspections conducted as deemed necessary by the Division.

2. Final Inspections

The Division will conduct a final construction inspection. The primary purpose of the final construction inspection is to determine if the proposed project was constructed according to the plans and specifications.

At the time of the Division's final construction inspection, the completion of construction date will be established for the purpose of determining the loan repayment schedule.

XIII. RECORD KEEPING REQUIREMENTS

Recipients are required to maintain separate project accounts in accordance with generally accepted government accounting standards. More specifically, the following records must be maintained.

- Accounts accurately depicting amounts received and expended for the project, including all funds received from the Program;
- Program income data; and
- Total cost of the project.

Invoices must be maintained for a period of at least three years after submittal. All other records must be kept for the life of the loan.

XIV. REPAYMENTS

Interest will accrue on all loan disbursements as of the date each disbursement is made. A repayment schedule will be issued by the Division after the recipient submits an approvable final disbursement request.

The Division will prepare a repayment schedule, which includes:

- The interest rate;
- Amount of dollars loaned;
- Accrued interest;
- The final principal amount of the loan due including accrued interest; and
- A complete amortization table.

For design only loans, the first annual repayment will be due one year after completion of the plans and specifications or disbursement of the entire loan amount, whichever comes first. For construction only or design/construction loans, the first annual loan repayment will be due one year following the completion of construction date, as set by the Division under Section XII.B.2.

The amount to be repaid will include the amount loaned plus accrued interest. The Division will normally send a repayment notice thirty (30) days before the date each repayment is due, but prompt repayment remains the responsibility of the recipient.

The penalty of one-tenth of one percent (0.1%) per day on the amount due will be assessed for late repayment. A ten (10) day grace period will be allowed. However, if the repayment is not received by the end of the grace period, the penalty will be assessed from the repayment due date. Any penalties collected will be deposited in the Program account to be made available for Program assistance.

Penalties assessed will not change the principal balance of the loan contract. Such penalties will be treated as a separate account in addition to the annual repayment due.

All repayments are sent to:

Manager, Payments Unit
State Water Resources Control Board
Division of Financial Assistance
1001 I Street, 17th Floor
P.O. Box 944212
Sacramento, CA 94244-2120

XV. BOARD RESERVATION OF AUTHORITY

Prior to the signing of any loan contract, the SWRCB reserves the right to modify this Program Policy as necessary to provided for effective and equitable use of the Program funds, including:

- Reducing the eligible loan amount for any project; or
- Adjusting the terms for repayment of the loan consistent with applicable statutes.

Any such action will be taken only in a manner consistent with applicable State requirements and after any prospective applicant, adversely affected by the action, has had an opportunity to comment on the proposed action.

XVI. ELIGIBILITY DISPUTES

Any disputes which occur prior to execution of the loan contract and is not otherwise resolved may be appealed to the Chief of the Division, or his delegatee, for decision. The applicant or recipient may appeal within 30 days to the Chief of the Division for a final Division decision. If the applicant or recipient is not satisfied by the final Division decision, the applicant or recipient may appeal to the SWRCB within 30 days. The Office of the Chief Counsel of the SWRCB will prepare a summary of the dispute

and make recommendations relative to its final resolution, which will be provided to the SWRCB's Executive Director and all the SWRCB Members. Should the SWRCB determine not to review the Division decision, this decision will represent a final agency action on the dispute.

These provisions do not pertain to disputes under an executed loan contract. Such disputes shall be resolved in accordance with the disputes resolution provisions of the contract.